

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 SS-15 NSC-05 AID-05 CEA-01

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NEA-06 NSAE-00 RSC-01 OPIC-03 SP-02 TRSE-00 CIEP-01

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TO SECSTATE WASHDC PRIORITY 6476

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 16185

E.O. 11652: XGDS-1

TAGS: EEC, UK

SUBJECT: EC SUMMIT - BRITISH VIEWS: ECONOMIC POLICY
AND RENEGOTIATION

SUMMARY: CABINET OFFICE OFFICIAL SAYS PRIME MINISTER
WILSON CONSIDERED THE EC SUMMIT DECEMBER 9-10 A
SUCCESS FOR AT LEAST TWO REASONS. FIRST, IT AFFORDED
AN OPPORTUNITY FOR DISCUSSION AT THE HIGHEST LEVEL OF
CURRENT ECONOMIC PROBLEMS WHICH LED TO A CONSIDERABLE
MEASURE OF AGREEMENT ON THE PRIORITY TO BE ATTACHED TO
MAINTAINING THE LEVEL OF ECONOMIC ACTIVITY AND
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PARTICULARLY THE LEVEL OF EMPLOYMENT IN THE COMMUNITY.

PARTLY FOR THIS REASON, IT WAS HELPFUL TO MEET SO SOON AFTER SCHMIDT'S VISIT TO WASHINGTON. SECOND, THE PRIME MINISTER IS PLEASED BY THE RESULTS OF THE DISCUSSION OF RENEGOTIATION OF BRITISH TERMS OF MEMBERSHIP, AND, IN PARTICULAR, FOR AGREEMENT TO SET UP A "CORRECTING MECHANISM" THAT WILL REDUCE NET NATIONAL CONTRIBUTIONS TO THE EC BUDGET THAT ARE SUBSTANTIALLY OUT OF LINE WITH CONTRIBUTING MEMBER'S SHARE OF EC GDP. END SUMMARY

1. ECONCOMMIN SAW PATRICK NAIRNE (SECOND PERMANENT SECRETARY, CABINET OFFICE, WHO IS PARTICULARLY CONCERNED WITH RENEGOTIATION OF TERMS OF BRITISH MEMBERSHIP) UPON HIS RETURN FROM PARIS TODAY. NAIRNE SAID THAT THE PRIME MINISTER CONSIDERED THE MEETING A SUCCESS, AT LEAST FOR THE TWO REASONS CITED ABOVE. NAIRNE ATTACHED PARTICULAR IMPORTANCE TO THE GENERAL AGREEMENT EXPRESSED IN THE COMMUNIQUE THAT EC MEMBERS IN BALANCE OF PAYMENTS SURPLUS SHOULD TAKE MEASURES HELPFUL TO COMMUNITY MEMBERS IN DEFICIT. HE SAID THERE HAD BEEN A MARKED CHANGE IN SCHMIDT'S ATTITUDE WITHIN THE PAST FEW WEEKS ON THIS POINT AND NOTED THAT SCHMIDT NOW APPEARS TO BE MORE CONCERNED BY THE INCREASE IN UNEMPLOYMENT IN GERMANY THAN BY THE PROSPECT OF INCREASING THE GERMAN RATE OF INFLATION. HE THOUGHT IT VERY HELPFUL TO BE ABLE TO DISCUSS THE ECONOMIC PROBLEMS FACING THE COMMUNITY IN THE LIGHT OF SCHMIDT'S REPORT OF HIS VISIT TO WASHINGTON. THIS KIND OF RELATIVELY RELAXED EXPLORATION IN DEPTH OF COMMON PROBLEMS AND EXCHANGE OF VIEWS ON THE WAYS THEY SHOULD BE MET IS A FEATURE OF THE SUMMIT THE BRITISH ALWAYS CONSIDERED TO BE IMPORTANT, AND IN THEIR VIEW THE RESULTS JUSTIFY THE IMPORTANCE THEY ATTACHED TO IT.

2. NAIRNE WAS PARTICULARLY PLEASED BY THE RESULTS OF THE DISCUSSION OF RENEGOTIATION OF BRITISH TERMS OF MEMBERSHIP, AND SPECIFICALLY, BY THE TREATMENT OF THE BRITISH POSITION ON BUDGETARY CONTRIBUTIONS IN THE LAST PARAGRAPH OF THE COMMUNIQUE. NAIRNE COMMENTED THAT WHILE THE TORTURED SYNTAX OF THE LAST PARAGRAPH

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HAD GIVEN RISE TO CONSIDERABLE GOOD NATURED RIBBING BY BRITISH JOURNALISTS, IT INCLUDED THE ESSENCE OF THE BRITISH POSITION. THE KEY PHRASE IS THAT INSTRUCTING THE COUNCIL AND THE COMMISSION TO SET UP AS SOON AS POSSIBLE A "CORRECTING MECHANISM," THROUGH WHICH CONTRIBUTIONS TO THE COMMUNITY BUDGET IN EXCESS OF THE SHARE OF GDP OF THE CONTRIBUTING STATE MAY BE COMPENSATED. NAIRNE CHARACTERIZED THE NEGOTIATIONS ON THIS

POINT DURING THE AFTERNOON OF THE SECOND DAY AS EXTREMELY
DIFFICULT. THE FRENCH WERE ISOLATED BUT CONTINUED TO
OPPOSE A SUFFICIENTLY DETAILED MENTION OF THE BRITISH
POSITION IN THE COMMUNIQUE. IN THE END THE FRENCH
FOUND THEIR ISOLATION, COUPLED WITH THE FACTS THAT THEY
WERE IN THE CHAIR AND THAT THEY WISHED THE SUMMIT AS
A WHOLE TO SUCCEED, OBLIGED THEM TO GIVE IN, ALTHOUGH
NOT BEFORE THEY HAD SUCCEEDED IN ELIMINATING ANY
REFERENCE TO NATIONAL SHARES OF COMMUNITY GDP OR PER
CAPITA GDP FROM THE COMMUNIQUE. AS THE BRITISH DO
NOT SEE HOW NET CONTRIBUTIONS TO THE BUDGET CAN BE
FAIRLY ASSESSED BY ANY OTHER MEANS, THEY ACCEPTED THIS

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DELETION. ON THE OTHER HAND, THE BRITISH WERE FULLY PREPARED TO ACCEPT THE EMPHASIS THE FRENCH INSISTED ON GIVING THE COMMUNITY'S "OWN RESOURCES" SYSTEM. AS NAIRNE SAID, THE BRITISH HAVE CONSTANTLY INSISTED THAT THEY ARE IN FAVOR OF THE "OWN RESOURCES" SYSTEM, ALTHOUGH THEY RECOGNIZED THAT THE FRENCH HAVE BEEN SKEPTICAL ABOUT BRITISH OBJECTIVES IN THIS REGARD.

3. NAIRNE SAID THE IMPORTANCE OF THE SUMMIT TO BRITISH EFFORTS TO RENEGOTIATE TERMS OF MEMBERSHIP MUST BE CONFIDENTIAL

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JUDGED NOT ONLY BY THE RESULTS ACHIEVED, BUT ALSO BY THE FACT THAT ITS IMMINENCE FORCED THE PRINCIPAL MEMBERS OF THE COMMUNITY TO FOCUS ON THE ISSUES OF RENEGOTIATION EARLIER THAN THEY MIGHT OTHERWISE HAVE DONE. WITHOUT THE PROSPECT OF THE SUMMIT, SAID NAIRNE, SCHMIDT WOULD NOT HAVE BEEN AS POINTED IN THE QUESTIONS HE PUT TO WILSON AT CHEQUERS AT THE END OF NOVEMBER, AND WILSON WOULD NOT HAVE BEEN OBLIGED TO MAKE AN IMPLICIT COMMITMENT TO SUPPORT CONTINUED MEMBERSHIP IF SATISFACTORY TERMS WERE AGREED UPON. THIS COMMITMENT, SAID NAIRNE, IS TACITLY REFERRED TO IN PARAGRAPH 34 OF THE COMMUNIQUE AND EXPLAINS THE USE OF THE PHRASE "BRITISH CONTINUED MEMBERSHIP IN THE COMMUNITY." BY THE SAME TOKEN, WILSON WOULD NOT HAVE MADE HIS SPEECH TO THE LONDON MAYORS, WHICH WAS SOONER THAN THE CIVIL SERVANTS WORKING ON RENEGOTIATION EXPECTED AND, OF COURSE, THE VISIT TO GISCARD ON DECEMBER 2 WOULD NOT HAVE TAKEN PLACE. NAIRNE SAID WILSON'S CONVERSATIONS WITH GISCARD WERE SIGNIFICANT BECAUSE THEY BRIDGED A REAL GAP THE BRITISH BELIEVE EXISTS BETWEEN THE FRENCH FOREIGN OFFICE AND THE PRESIDENT. GISCARD, SAID NAIRNE, WAS ILL-INFORMED ABOUT THE NATURE AND SUBSTANCE OF THE BRITISH POSITION ON RENEGOTIATION AND FOUND THE PRIME MINISTER'S VISIT WAS EDUCATIONAL. WITHOUT THE VISIT THE SUMMIT RESULTS WOULD NOT HAVE BEEN POSSIBLE.

4. THE NEXT SUMMIT IS LIKELY TO BE IN MID-MARCH IN DUBLIN. NAIRNE IS SOMEWHAT CONCERNED BY THE TIMING BECAUSE, WHILE HE IS FAIRLY SURE THAT THE BUDGET ISSUE WILL HAVE BEEN SATISFACTORILY DISPOSED OF BY THEN, HE IS NOT AT ALL CERTAIN THAT THE COMMON AGRICULTURAL POLICY STOCK-TAKING WILL HAVE PROCEEDED FAR ENOUGH TO PROVIDE SUBSTANCE FOR DECISIONS AT THE SUMMIT. IN

ADDITION, HE NOTED, THE PROSPECT OF THE SUMMIT CAN ENCOURAGE SOME TO DELAY FINAL DECISIONS UNTIL THE VERY LAST MOMENT IN THE HOPE OF GAINING SOME ADVANTAGE. NEVERTHELESS, IN GENERAL, HE FEELS THAT THE PROSPECTS FOR SATISFACTORY PROGRESS ON RENEGOTIATION ARE GOOD AND IS CLEARLY RELIEVED BY THE RESULTS OF THE PARIS SUMMIT.

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5. NAIRNE HAD LITTLE TO SAY ABOUT OTHER ASPECTS OF THE DISCUSSIONS IN PARIS, PARTICULARLY THE DECISIONS ON INSTITUTIONS. ECONCOMMIN HAS FURTHER APPOINTMENT DECEMBER 12 WITH MEMBER OF UK DEL, WHICH MAY SHED FURTHER LIGHT ON BRITISH VIEWS OF THESE ASPECTS.

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